



AUDITOR GENERAL

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DEPARTMENT OF JUVENILE JUSTICE SELECTED ADMINISTRATIVE ACTIVITIES AND FOLLOW-UP ON PRIOR AUDIT FINDINGS

Operational Audit

SUMMARY

As summarized below, our audit of the Department of Juvenile Justice (Department) for the period July 2005 through February 2007, and selected Department actions taken through July 24, 2007, focused on the Department's actions related to contract management, the Florida Single Audit Act, and correcting deficiencies disclosed in our prior audit (report No. 2006-030, dated September 2005). We found that some processes and controls established by Department management for these activities were in need of improvement to minimize the associated risks.

CONTRACT MANAGEMENT

Finding No. 1: The Department did not always maintain documentation justifying the procurement methods used.

Finding No. 2: Department contract files did not always contain the names of individuals involved in the provider selection and evaluation process.

Finding No. 3: Department monitoring procedures, instruments, and efforts were not always documented or maintained in contract files.

Finding No. 4: The Department did not maintain adequate support and evidence of approval for some procurements.

Finding No. 5: The Department did not have in place the tools necessary to allow Department decision makers ready access to accurate and reliable procurement data required for sound contract management.

FLORIDA SINGLE AUDIT ACT

Finding No. 6: The Department did not always comply with Florida Single Audit Act requirements.

Finding No. 7: The Department did not have uniform procedures for tracking and reviewing Financial Reporting Packages.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

Finding No. 8: The Department did not, in some instances, adequately resolve prior audit findings related to Florida Accounting Information Resource Subsystem access controls and cellular telephones (appropriateness of the charges).

BACKGROUND

The Department was created by Section 20.316, Florida Statutes. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The Secretaries who served the Department during the audit period were as follows:

**Table 1
Department Secretaries and Dates of Service**

Secretary	Dates of Service
Anthony J. Schembri	January 28, 2005 - January 2, 2007
Cynthia R. Lorenzo (Interim Secretary)	January 2, 2007 - February 2, 2007
Walter A. McNeil	February 1, 2007 - Present

Source: Department personnel records.

The Department is responsible for planning, coordinating, and managing the delivery of all programs and services within the juvenile justice continuum.¹ To deliver these programs and services, the Department is organized into five core functions including four program areas: Prevention and Victim Services, Probation and Community Intervention, Detention Services, Residential Services, and Administration.² An Assistant Secretary is responsible for each of the four respective program areas, while the Chief of Staff is responsible for Administration. The four program areas are divided into three regions (North, Central, and South) and are further divided into circuit offices.

FINDINGS AND RECOMMENDATIONS

The establishment of certain management processes and internal policies and procedures that help to assure that the resources available to the Department are properly identified, acquired, safeguarded, and utilized is vital to the effective and efficient management of the Department. The effective dissemination of these internal policies and procedures, proper training, and monitoring are key to ensuring that employees have the necessary skills and resources to achieve organizational success in compliance with established controls and governing laws, rules, and other guidelines. In this report, we describe deficiencies in processes and controls related to contract management, the Florida Single Audit Act, and actions taken to correct some prior audit findings.

Contract Management

Chapter 287, Florida Statutes, establishes a system of uniform procedures to be utilized by State agencies in managing and procuring contractual services and documenting agency procurement decisions. Among

¹ Section 20.316(1), Florida Statutes, defines the term “juvenile justice continuum” as all children-in-need-of-services programs; families-in-need-of-services programs; other prevention, early intervention, and diversion programs; detention centers and related programs and facilities; community-based residential commitment and nonresidential programs; and delinquency institutions provided or funded by the Department.

² Section 20.316(2), Florida Statutes, and the Department’s Organizational Chart.

other things, the law specifies detailed competitive procurement procedures that help provide assurance that State agencies have made a diligent attempt to seek out the highest possible level of service at the lowest possible price.

Effective contract management requires certain elements that establish the overall framework of the contract management environment. Such elements should include:

- An organizational structure that facilitates the communication of information as well as the assignment of responsibility and authority.
- Adequately designed policies and procedures that are effectively communicated to employees.
- Employees who are adequately trained in the functions and responsibilities of contract management.
- Policies and procedures that require adequate documentation be maintained to evidence all aspects of the contract management process.

The Department has assigned contract management responsibilities to various organizational units and individuals within the Department. **APPENDIX A** provides the Department’s organizational structure, and as depicted in the Appendix, the Bureau of Contracting is accountable to the General Counsel, whereas the contract managers report to various Regional Directors and Assistant Secretaries within their applicable program areas.

Responsibilities for contract management are assigned to staff throughout the Region, Circuit, and Headquarters levels as shown on **APPENDIX B**.

Our audit included a review of Department policies and procedures related to the management of contracts for services as well as tests of 20 contracts in effect during the period July 2005 through February 2007. A summary of the number and amounts of contracts selected for testing, the associated program area, and the type of procurement method utilized is shown in Table 2:

Table 2
Number, Type, and Amount of Contracts for
Services Selected for Testing
Within Program Area

Program Area	Number of Contracts Tested	Contract Amounts Tested
Residential Services		
Request for Proposal	7	\$39,301,904
Probation and Community Intervention		
Request for Proposal	4	\$7,874,266
Single Source	2	1,048,606
<i>Total Probation and Community Intervention</i>	<u>6</u>	<u>\$8,922,872</u>
Detention Services		
Exempt	3	\$1,053,790
Exempt Per General Appropriations Act	1	775,000
Emergency	1	3,733,191
<i>Total Detention Services</i>	<u>5</u>	<u>\$5,561,981</u>
Prevention and Victim Services		
Invitation to Bid	1	\$471,600
Administration		
Request for Proposal	1	\$570,000
Total Contracts Tested	<u>20</u>	<u>\$54,828,357</u>

The absence of a strong contract management framework can result in deficiencies related to the procurement of services and the development and monitoring of contracts. Inadequacies in the Department’s contract management framework were contributing factors to the deficiencies noted in subsequent findings of this report.

Finding No. 1: Contract Procurement

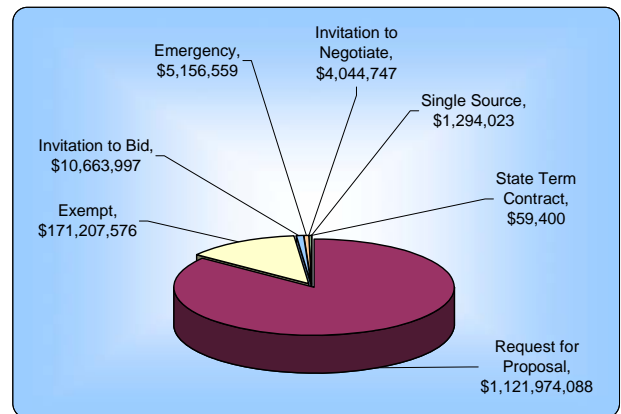
In establishing State procurement laws,³ the Legislature recognized that fair and open competition is a basic tenet of public procurement and that competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. The Legislature found that it is essential to the effective and ethical procurement of contractual services that there be a system of uniform procedures to be utilized by State agencies in managing and procuring contractual services, that detailed justification of agency decisions in the procurement of contractual services be maintained, and that adherence by the agency and the provider to specific ethical considerations be required.⁴

Procurement laws authorize the Department of Management Services (DMS) to provide uniform contractual service procurement policies, rules, procedures, and forms for use by agencies and eligible users.

State law⁵ requires that, unless otherwise authorized by law, all contracts for the purchase of services in excess of Category Two (\$25,000) shall be awarded by competitive sealed bidding. In addition, this law⁶ further provides that an agency may use alternate methods of provider selection when the agency has determined in writing that competitive procurement is not practicable or will not result in the best value to the State.

Department contractual service contracts effective during the audit period are shown in Chart 1 by procurement method and in **APPENDIX C** by program area:

Chart 1
Contract Procurement Methods
For Contracts Totaling \$1,314,400,390
July 1, 2005, Through January 31, 2007



Source: Department Contract Administration Log.

As a good business practice, Department contract procurement files should include all documentation related to the competitive acquisition process, including proof of advertising, copies of bids and responses received, and bid tabulations. For noncompetitive procurements, written determinations for emergency, single source, or exempt purchases should be maintained. Our review of 20 contracts disclosed the following:

³ Chapter 287, Florida Statutes.

⁴ Section 287.001, Florida Statutes.

⁵ Section 287.057(1)(a), Florida Statutes.

⁶ Section 287.057(2) and (3), Florida Statutes.

➤ Available records documenting Department negotiation efforts were not always maintained for procurement decisions requiring negotiations between the Department and the chosen provider:

- For 1 of 7 Residential Services contracts reviewed totaling \$10,932,480, a Notice of Agency Decision released by the Department indicated that there were no responses to a Request for Proposal (80-bed program for high-risk boys in West Palm Beach that also included 80 slots of mental health overlay services). Subsequently, a provider was identified to provide the services, but there was no documentation to demonstrate that this Department decision was made in accordance with laws, rules, and other guidelines. For example, the Department should have issued a Notice of Agency Decision in accordance with State law⁷ indicating the Department's decision to award the contract and providing opportunity for other potential providers to challenge the award. However, no such Notice was issued.

Upon further audit inquiry, the Department's General Counsel stated that, at the time of posting the Notice of Agency Decision – Receipt of No Competitive Proposals, the Department had no specific provider with which to negotiate. She also indicated that the Bureau of Contracts later received a memorandum from Residential Services stating that negotiation with a particular provider was in the best interest of the State; however, the General Counsel indicated that information as to how Residential Services made that decision or how Residential Services decided upon a provider was not disclosed to the Bureau of Contracts.

- For 1 applicable Prevention and Victim Services contract for administrative services, totaling \$471,600 and awarded via Invitation to Bid, there was no documentation in the contract procurement file, contrary to State law,⁸ to explain why the contract was negotiated rather than awarded to the lowest bidder. In addition, services relating to this contract were rendered prior to the signing of the contract.

➤ Documentation of the Department's prerequisite determination that competitive sealed bidding was not practicable, as prescribed by State law,⁹ was not available for our review for any of the 12 contracts procured through a Request for Proposal (7 Residential Services, 4 Probation and Community Intervention, and 1 Administration) and totaling \$47,746,170. In these instances the Department had marked a check box on the *Contract Initiation Memo* that stated "TTB Not Practicable For This Procurement." In response to audit inquiry, the General Counsel stated, "No written determination exists. The Department interpreted the statute to mean that a check box could be used." Absent an accompanying explanation, the execution of the check box does not provide for the public record sufficient information to allow an evaluation of the factual basis for the Department's contracting decisions.

➤ Documentation of Department verification, pursuant to DMS rules,¹⁰ that the bidder or offeror was not listed on the Convicted Vendor List was not available for the 20 contracts reviewed. On the date of our review, none of the 20 contract vendors were included on the Convicted Vendor List. However, the potential for the Department not detecting convicted vendors exists when no verification is customarily performed.

➤ State law¹¹ provides that each agency is to establish a review and approval process for all contractual service contracts costing more than Category Three (\$50,000) that includes, but is not limited to, program, financial, and legal review and approval. To accommodate this process, the Department implemented a *Contract Review Form* that provides lines for approval signatures of applicable program area Assistant Secretaries, contract managers, budget and finance and accounting representatives, the General Counsel, as well as the Deputy Secretary, prior to the signing of such contracts. For 2 of 20 contracts reviewed, the *Contract Review Forms* were not approved and initialed by the applicable program area Assistant Secretary (1 Detention Services/Residential Services and 1 Probation and Community Intervention). For another contract reviewed, the *Contract Review Form* and contract were completed subsequent to the contract start date (Prevention and Victim Services).

⁷ Section 120.57(3), Florida Statutes.

⁸ Section 287.057(1)(a) and (b), Florida Statutes.

⁹ Section 287.057(2)(a) and (b), Florida Statutes.

¹⁰ DMS Rules 60A-1.006(1) and (5), Florida Administrative Code.

¹¹ Section 287.057(19), Florida Statutes.

➤ DMS rule¹² requires that each agency shall include language regarding the MyFloridaMarketPlace fee in the provisions and conditions of all agency purchasing transactions involving commodities and contractual services, unless the transaction is exempt from the transaction fee pursuant to DMS rule.¹³ For 1 of 3 applicable contracts (Administration) totaling \$570,000, the Department did not include the required MyFloridaMarketPlace fee language in the provisions and conditions of the contract.

Absent required procurement and contract review documentation, Department management cannot demonstrate that the procurement process was conducted in a manner that ensured potential providers were thoroughly and impartially evaluated and that contracts containing appropriate terms and conditions were awarded to qualified providers at the most economical prices.

Recommendation: We recommend that the Department:

- Ensure that adequate documentation is maintained to evidence negotiation efforts and procurement decisions.
- Prepare and retain documentation explaining why competitive sealed bidding was not practicable in those instances in which requests for proposals were used.
- Maintain documentation to evidence review of the Convicted Vendor List.
- Ensure that *Contract Review Forms* are timely and adequately completed, including approval signatures, prior to contract signing.
- Ensure that the required MyFloridaMarketPlace fee language is included in applicable contracts.

Finding No. 2: Provider Selection and Evaluation Process

State law¹⁴ requires that, for contracts in excess of Category Two (\$25,000) that are accomplished without competition, the individuals taking part in the development or selection of criteria for evaluation, the

evaluation process, and the award process shall attest in writing that they are independent of, and have no conflict of interest in, the entities evaluated and selected.

For two of three applicable Detention Services' exempt contracts reviewed totaling \$596,190, our audit disclosed the following:

- Department records did not include the names of the persons who participated in the selection, evaluation, and award of the contracts.
- Conflict of interest forms were not available to evidence that members of the selection team were free of conflicts of interest.

State law¹⁵ recognizes that documentation of the acts taken in a public procurement is an important means of curbing improprieties and establishing public confidence in the process by which commodities and contractual services are procured.

Recommendation: We recommend that the Department enhance its procedures to require that documentation (i.e., conflict of interest forms) be maintained for all individuals responsible for the provider selection, evaluation, and award process.

Finding No. 3: Contract Monitoring

Contract monitoring helps provide qualitative observations and data on how well services are being provided and whether desired service outcomes are being achieved. Additionally, effective contract monitoring provides a basis for identifying performance problems as early as possible so that corrective action may be taken timely.

The Department performs two types of monitoring - administrative and programmatic. The objective of administrative monitoring focuses on accountability for fiscal resources. Programmatic monitoring aids management in ensuring that contract providers operate in an efficient and effective manner that is conducive to achieving program goals and objectives. Monitoring activities are performed by each of the five Department program areas.

¹² DMS Rule 60A-1.031, Florida Administrative Code.

¹³ DMS Rule 60A-1.032, Florida Administrative Code.

¹⁴ Section 287.057(20), Florida Statutes.

¹⁵ Section 287.001, Florida Statutes.

To ensure that contract monitoring is conducted in a comprehensive and consistent manner, it is essential that written policies, procedures, and standards be developed and communicated to contract managers. The policies, procedures, and standards should include provisions specifying the particular procedures that may be used to evaluate contractor performance and the documentation that is to be maintained to serve as a record of contractor performance and Department monitoring efforts.

Although the Department has adopted monitoring policies and procedures (FDJJ-1680), those policies and procedures are general in nature and address primarily the assignment of monitoring responsibility to contract managers and the applicable contract manager's responsibility for approving contract invoices and maintaining documentation relating to the procurement process. The Department's general monitoring policies and procedures included in FDJJ-1680 state that each program area is responsible for developing and implementing procedures to ensure the program area's compliance with FDJJ-1680.

For the 20 contracts described in Table 2, our review of each program area's monitoring procedures, monitoring instruments, and documentation associated with such contract monitoring disclosed:

- The Administration and Detention Services program areas had not developed and implemented written procedures regarding contract management and program monitoring, contrary to FDJJ-1680. In addition, the Prevention and Victim Services program area had developed written contract management and program monitoring procedures that required, for example, quarterly site visits. However, upon audit inquiry, the Deputy Secretary indicated that such procedures were not being performed. Absent more specific monitoring policies and procedures and the adherence to established policies and procedures, the program areas lacked reasonable assurance that monitoring efforts were sufficiently rigorous to detect contractor performance issues, if any.
- Risk assessments used for determining the order of monitoring by assessing preestablished criteria were not completed within a reasonable time after

issuing the contract. Specifically, for 2 Residential Services contracts totaling \$14,155,613, with effective dates during the 2005-06 fiscal year, risk assessments had not been prepared. The Department has a responsibility to utilize its finite resources in a manner that provides the greatest assurance that contractors operate in accordance with contract provisions and governing laws and rules. These risk assessments, if completed, should provide a process to measure the risk and provide a basis for scheduling a level of monitoring commensurate with the level of risk.

- Monitoring plans that describe the contract manager's plan of action for ensuring service provider compliance with contract terms and conditions were not completed for 7 of 18 applicable contracts reviewed and totaling \$10,702,730 (1 Residential Services, 5 Detention Services, and 1 Administration). In addition, for those 11 contracts with monitoring plans, we noted that some plans were not incorporated into a divisionwide plan; some plans did not include both administrative and programmatic monitoring schedules; and, for some, the monitoring conducted was not always performed in accordance with the plan. Absent well-developed and executed monitoring plans, the Department cannot demonstrate that appropriate actions were considered and taken to reasonably ensure provider compliance.
- For 18 of the 20 contracts, both administrative and programmatic monitoring was required. However, completed administrative monitoring instruments were not provided for our review for 3 contracts, and for 3 additional contracts, neither administrative nor programmatic monitoring instruments were adequately completed to demonstrate the monitoring efforts performed (contract values totaled \$6,131,981 and consisted of 5 Detention Services contracts and 1 Administration contract). Without properly completed monitoring instruments, Department assurance that service providers were adequately monitored is lessened.
- Monitoring reports were not provided to demonstrate communication of monitoring findings to the contractors for 4 of 17 applicable contracts reviewed and totaling \$7,718,963 (2 Probation and Community Intervention, 1 Detention Services, and 1 Administration). As a result, in these instances, the Department could not demonstrate that deficiencies noted by the Department were reported to contractor

management and satisfactorily and timely corrected. For example, for 1 of these contracts (Probation and Community Intervention), the contract manager performed a monitoring visit on January 19, 2007; however, upon audit request for the monitoring report, the Deputy Secretary stated that, as of May 2007, a report had not been prepared.

In explanation, the Deputy Secretary stated that the Region had two contract manager positions to manage and monitor 68 contracts annually and that the Region had prioritized those contracts that had critical operational issues requiring a follow-up visit, and this contract did not fall into that category. He also stated that one of the Region's contract manager positions was vacant.

- Contract manager workloads may require adjustment to ensure optimum use of available resources. As shown in **APPENDIX D**, contract managers were assigned responsibility for as few as 1 to as many as 44 contracts. In response to our inquiries, contract managers indicated they sometimes had difficulty providing adequate oversight for each contract because of the number of contracts assigned.
- Reports (deliverables) required by contracts were not provided in accordance with contract provisions prior to payment for 7 of 19 applicable contracts totaling \$23,642,176. Examples of such reports included a quarterly *Just Read* activity report and a *November 2006 Vacancy Report*. Although the contract stated that payments due may be withheld until such deliverables are submitted, no payments were withheld. Absent the timely receipt, review, and approval of contract deliverables, the Department may pay for services not received.

Recommendation: To ensure that providers' performance fulfills the terms and conditions of contracts and to evaluate the extent to which the contracted services received contributed to the accomplishment of Department goals and objectives, we recommend that the Department's contract monitoring processes and procedures be fully developed, implemented, and compliance therewith documented. We also recommend that once the monitoring processes and procedures have been established, the Department develop associated workload requirements for use in allocating monitoring resources.

Finding No. 4: Invoice Documentation

State law¹⁶ requires that the procurement of contractual services be evidenced by written agreement or purchase order and that the agreement or purchase order shall contain the provisions and conditions provided under State law.¹⁷ One of these provisions requires that bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper preaudit and postaudit thereof.

In addition to the 20 contracts described previously that were included in our audit tests, we identified and tested a limited number of other contracts with amounts ranging from \$2,500 to \$25,000. In some of these instances, we found that the Department did not always ensure that invoices were supported by documentation evidencing that services had been rendered and approved prior to payment. Specifically, our review of seven invoices disclosed:

- For six of the invoices, totaling \$32,780, supporting documentation was not available to evidence the services provided. In response to audit inquiry, the Director of Administrative Services stated that, in two of the six instances, payments were made because the invoices had been marked with a receiving stamp and related notations indicating that the services had been received. In one of these two instances, the services provided were for training, and in the other instance, the services related to print advertising. To sufficiently demonstrate the receipt of the training services, the invoices might have been accompanied by a class agenda showing the dates and times of the training and a class roster listing those in attendance. For the advertising services, a copy of the published advertisement might have accompanied the invoice.

For the other four invoices, the description of services noted on three of the four invoices stated such things as "providing training, youth classes, and coordinating services." In response to audit inquiry, the Deputy Secretary stated that information was unavailable as to why Residential Services authorized payment for these three

¹⁶ Section 287.058(4), Florida Statutes.

¹⁷ Section 287.058(1), Florida Statutes.

invoices. Subsequently, Department staff provided additional information; however, such information did not include sufficient documentation to allow a proper preaudit and postaudit thereof. Appropriate documentation may have included class agendas showing the dates and times of the classes and class rosters.

- For one of the six invoices discussed above, totaling \$2,500 for the rewrite of a training manual, there was no signature approving payment of the invoice. In addition, the date of the invoice (July 11, 2005) was eight days prior to the date the Department issued the related purchase requisition and purchase order (July 19, 2005). In this instance, the Department failed to complete a written agreement or purchase order prior to the services being rendered.

Absent adequate invoice support and approval, the Department lacks assurance that the invoiced services have been rendered and approved.

Recommendation: We recommend that the Department, prior to payment for services, ensure adequate support and approval is obtained. Such support and documentation should be retained.

Finding No. 5: Contract List

Effective contract management reporting should provide agency decision makers with information on all contracts to which the Department is a party. Relevant information such as procurement method, contract number (or purchase order number), contractor provider name, contract amount, contract start and expiration date, and assigned contract manager name should be readily available to provide management assistance for contract planning and reporting purposes.

In response to our audit request for a list of Department contracts active during the period July 2005 through February 2007 and showing the method of procurement and the start and expiration dates, the Department provided two lists for our review. Such lists consisted of the *Contract Administration Log*, containing entries relative to 398 contracts, and the *Pilot 72 List*, dated November 30, 2006, containing entries relative to 365

contracts. The *Contract Administration Log* is utilized by the Bureau of Contracting for tracking contract procurement activity from each program area's initial request to the actual signing of the contract. The *Pilot 72 List* is extracted from the Juvenile Justice Information System (JJIS) and is provided to management monthly for contract planning and reporting purposes.

As part of our audit, we tested the accuracy and completeness of the *Contract Administration Log* and the *Pilot 72 List* by comparing, for 20 contracts, the details shown by the contracts to the details shown by the *Contract Administration Log* and the *Pilot 72 List*. Our audit disclosed:

- Contract manager names and assignments were not updated on the *Pilot 72 List* to reflect employee transitions (i.e., terminations and transfers) that occurred during the contract period. Upon audit inquiry, the General Counsel stated "Currently, changes to either the contract manager or the number of contracts assigned to that contract manager will occur if there is a contract amendment, renewal or when the program area copies the Bureau on a letter to the provider, notifying them of a change."
- For the 20 contracts tested, we compared the *Pilot 72 List* and the *Contract Administration Log* to the contract file to determine the accuracy of the lists. Such comparisons disclosed the following differences:
 - The *Pilot 72 List* did not show 1 active contract totaling \$570,000.
 - For 1 contract, the *Pilot 72 List* identified the program area as Prevention and Victim Services. However, the contract file identified the program area as Probation and Community Intervention.
 - For 1 contract, the amount shown by the contract was \$457,600; however, the *Pilot 72 List* showed the contract file amount as \$4,547,600.

Although the mechanism and documentation used by an agency to track contracts and procurements is not prescribed by law or rule, purchasing managers should have tools in place to allow agency decision makers ready access to accurate and reliable procurement data,

including contract amounts, contract manager names, and start and expiration dates. Such data is the basis for sound contract management.

Recommendation: To ensure Department management has the contract information needed for planning, monitoring, and reporting, we recommend that the Department take steps to ensure contract listings contain accurate and up-to-date contract information.

Florida Single Audit Act

In audit report No. 2005-097, we recommended that the Department ensure that adequate State Financial Assistance (SFA) monitoring policies and procedures were in place and operating effectively. Our current review of 17 contracts identified by the Department as SFA disclosed that additional improvements are needed.

Finding No. 6: Documentation

As noted in the **BACKGROUND** section of this report, the Department is responsible for planning, coordinating, and managing the delivery of all programs and services within the juvenile justice continuum. During the 20-month audit period, contract expenditures recorded in the Florida Accounting Information Resource Subsystem (FLAIR) totaled approximately \$537 million (\$338 million for the 2005-06 fiscal year relative to 432 contracts and \$199 million for the first 8 months of the 2006-07 fiscal year relative to 463 contracts). Of this amount, \$529 million (\$332 million and 415 contracts and \$197 million and 426 contracts, respectively, for the 2005-06 and 2006-07 fiscal years) represented SFA as classified by the Department. The Florida Single Audit Act (FSAA) was enacted by the Legislature to establish uniform State audit requirements for SFA.

The Department of Financial Services (DFS) is responsible for coordinating the initial preparation and revisions of the *Catalog of State Financial Assistance (CSFA)* which is a comprehensive listing that identifies State projects; responsible State agencies; legal authorization; and descriptions of projects,

including objectives, restrictions, application and award procedures, and other relevant information. In fulfilling its FSAA responsibilities, DFS established rules¹⁸ requiring State agencies to complete and file the following documents as applicable:

- A *Florida Single Audit Act State Project Determination Checklist* (Form DFS-A2-PD) to analyze the purpose and use of State resources and to identify State projects.
- A *Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination* (Form DFS-A2-NS) to assist in determining if the non-State organization is a vendor, recipient/subrecipient, or an exempt organization.
- An *Agency Request Form for New CSFA Project Number* (Form DFS-A2-AR) to request a CSFA number from DFS.
- An *Agency Reporting Form for the State Projects Compliance Supplement* (Form DFS-A2-CS) to identify important compliance requirements that the State expects to be considered as part of the Single Audit and that are listed in the *State Projects Compliance Supplement*.
- An annual *Catalog of State Financial Assistance Agency Certification* (Form DFS-A2-AC) to acknowledge the accuracy and completeness of State projects included in the CSFA.

We reviewed 17 contracts with expenditures totaling approximately \$35 million during the audit period that were classified by the Department as SFA contracts. Our tests disclosed the following deficiencies in SFA administration:

- The Department was unable to provide *Florida Single Audit Act State Project Determination Checklists (Checklists)* for the State programs referenced by the 17 SFA contracts reviewed. Absent the *Checklists*, the Department cannot demonstrate its efforts to identify State projects and analyze the purpose and use of State resources for applicability to the FSAA and inclusion in the CSFA.
- For 4 SFA contracts, CSFA numbers recorded on the various documents (i.e., contract, *Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination*, and *Contract Review Form*) reviewed did not always

¹⁸ DFS Rules, Chapter 69I-5, Florida Administrative Code.

agree. In response to audit inquiry, the Deputy Secretary stated that, for 2 contracts, the program area listed all *CSFA* numbers thought to be applicable and, for the remaining 2 contracts, errors were made in the recording of the numbers. Failure to record *CSFA* numbers accurately and consistently on contract documentation limits the Department's ability to ensure that State projects are audited in accordance with applicable compliance requirements.

- For 1 of the 4 SFA contracts mentioned above, an incorrect *CSFA* number (80.017 as shown on the contract) was assigned to a State project. The program objectives for the assigned *CSFA* number stated that the program was directed toward high and maximum risk residential youth, while the contract actually covered moderate risk residential youth (boys). In response to audit inquiry, the Deputy Secretary stated that the correct *CSFA* number that should have been recorded on the contract was 80.016 instead of 80.017.
- For 1 contract determined by the Department to be SFA and totaling \$3,733,191, the relationship of the non-State entity was incorrectly determined using the *Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination*. In response to audit inquiry, the Deputy Secretary indicated that the contract was classified as a recipient based on consultation with the Department of Corrections (DOC) regarding a contract DOC held with the same vendor. The service provided appears to be, pursuant to the *Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination*, a vendor and not a subrecipient relationship. Misclassifications lessen the State's ability to accurately account for SFA.
- For 7 SFA contracts totaling \$23,836,419, the Department had not completed and filed an *Agency Reporting Form for the State Projects Compliance Supplement* as required for the 2005-06 fiscal year. Further, in response to audit inquiry, the Deputy Secretary could not provide evidence that the Department had completed and filed an *Agency Reporting Form for the State Projects Compliance Supplement* for 3 SFA contracts totaling \$4,490,791, and required during the 2006-07 fiscal year. Absent completion of an *Agency Reporting Form for the State Projects Compliance Supplement*, the Department failed to identify important compliance requirements that should be

considered as part of single audits of the contractors.

- For the remaining 12 applicable SFA contracts reviewed and totaling \$43,473,343, our audit disclosed that the Department had completed a *State Projects Compliance Supplement (Supplement)* for the 2006-07 fiscal year; however, the eligibility requirements listed on the *Supplement* did not specify the criteria for determining the beneficiaries or the subrecipients that could participate in the project (e.g., moderate risk female referred only by the Department). Instead, the *Supplement* listed how services were to be procured and solicited. In response to audit inquiry, the Deputy Secretary stated that Department staff who authored the *Supplement* misunderstood the word "eligibility."

Recommendation: We recommend that the Department take appropriate actions to ensure compliance with Florida Single Audit Act administrative requirements.

Finding No. 7: Financial Reporting Packages

In an environment in which government services are provided by non-State entities, the government agency's responsibility shifts from direct service provision to strategic planning and oversight. Effective oversight includes several forms of monitoring (e.g., ongoing desk reviews of program and fiscal reports, review of documentation to support invoice approval, on-site visits, and desk review of independent audit reports).

The FSAA requires each non-State entity that expends \$500,000 or more of SFA in any fiscal year to obtain a State single audit (audit of the financial statements and SFA) or project-specific audit conducted by an independent auditor. The FSAA also requires the provision of audited information (i.e., Financial Reporting Package [FRP]) to the State regarding the non-State entities' compliance with State project requirements, deficiencies in internal controls noted by the independent auditor, and the amount of SFA expended by the non-State entity in conducting the State project.

To ensure FRPs are timely received and appropriately reviewed and that corrective actions are taken and reliable information is available for future program funding and policy decisions, an effective FRP review process is required. Such a function includes certain attributes, such as written policies and guidelines for reviewing an FRP; a method to track FRPs that are due, received, and reviewed; maintenance of documentation of State agency actions to obtain FRPs not received; and follow-up on noncompliance or other noted deficiencies.

Our review of Department procedures disclosed that one or more of the above monitoring attributes were not implemented or documented:

- While draft guidelines were provided for our review, the Department had not adopted final written policies and guidelines for reviewing FRPs.
- The Department had no mechanism to track when FRPs were due, received, and reviewed and, therefore, lacked a means to reasonably ensure the timely receipt and review of all FRPs.
- The Department could not provide documentation of its actions to obtain FRPs not received, review the FRPs, and follow-up on noncompliance or other noted deficiencies. For three of the four FRPs reviewed, there was no date stamp to evidence the date of Department receipt, and one of the four FRPs did not contain required FSAA information and schedules.

Absent evidence of monitoring, the Department has reduced assurance that State project funds have been properly administered by SFA contractors.

Recommendation: To ensure effective oversight, we again recommend that the Department establish and implement adequate SFA monitoring policies and procedures in compliance with FSAA. In addition, we recommend that the Department implement a mechanism to track when FRPs are due, received, and reviewed.

Follow-Up on Prior Audit Findings

Finding No. 8: Prior Audit Findings

Our review of the actions taken by the Department to address the findings¹⁹ noted in audit report No. 2006-030 disclosed the following:

- *Access Controls.* On November 8, 2005, the Department implemented the internal employee Separation Notification System (SNS) in an effort to notify key personnel when employees separate from the Department so that accounts and system access can be timely terminated. Our review disclosed that, subsequent to the implementation of SNS, FLAIR access was not timely removed for eight employees (from 2 to 12 months after separation) who terminated employment with the Department, and FLAIR access still had not been removed as of June 4, 2007, for two other such employees (6 and 12 months after separation, respectively). The Director of Administrative Services stated that, for eight of the ten employees, the supervisor failed to initiate action in SNS. Our review also disclosed that Purchasing Card access was not timely removed (from 1 to 7 months) for four of these eight separated employees.
- *Cellular Telephones – Appropriateness of Charges.* As part of Department corrective actions to ensure that cellular telephone bills were effectively reviewed for the appropriateness of charges and the reimbursement of personal calls, the Department revised existing policies. Our review of the implementation of those policies and procedures disclosed the following:
 - The Department developed a *Cellular Phone Affidavit* and issued a policy that required the form to be signed by all cellular/wireless telephone users stating that the cellular phone billing had been reviewed and that all charges were in accordance with approved Department policy and procedures. The *Affidavit* was to also identify any charges for personal calls. In addition, a reimbursement check to cover the charges associated with personal calls was to be attached to the *Affidavit*. However, the Department subsequently issued another policy that stated that, if no personal calls were made, a *Cellular*

¹⁹ Our review of actions taken by the Department on findings noted in audit report No. 2006-030 relating to Cost-of-Care fees will be reported in a subsequent audit report.

Phone Affidavit was not required to be completed. In response to audit inquiry, the Director of Administrative Services stated that the conflict in the policies was due to an oversight and that all users will be required to complete and file the *Cellular Phone Affidavit*. The Director of Administrative Services also indicated that the Department was in the process of making policy revisions to correct the conflict.

- Pursuant to State law²⁰ and Department of Revenue (DOR) rule,²¹ the Department is exempt from paying State and local communications services taxes. Our current review of Department cellular telephone billings for the period July 2005 through February 2007 disclosed payments totaling \$209 for communications services taxes that the Department was exempt from paying. In response to audit inquiry, the Director of Administrative Services stated that the payment of taxes was an oversight.

Recommendation: To adequately and timely resolve all prior audit findings and to preclude a recurrence of those findings, we again recommend that the Department:

- Ensure immediate and timely removal of employees' FLAIR access upon their termination.
- Ensure that cellular telephone billings are carefully reviewed for the appropriateness of charges.

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused on Department administrative activities specifically related to contract management, the Florida Single Audit Act, and correcting prior audit findings disclosed in our prior audit (report No. 2006-030, dated September 2005). Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the

validity and reliability of records and reports; and the safeguarding of assets.

- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2005 through February 2007, and selected actions taken through July 24, 2007. In conducting our audit, we:

- Interviewed Department personnel.
- Obtained an understanding of internal controls and observed, documented, and tested key processes and procedures related to contract management and the Florida Single Audit Act.
- Examined the procurement process for contractual service contracts and selected transactions (20 contracts totaling approximately \$55 million from the population²² of contractual service contracts totaling approximately \$264 million).
- Examined contracts classified as State Financial Assistance (SFA) and related selected transactions (17 SFA contracts with expenditures totaling \$35 million from the population of SFA contract expenditures totaling \$537 million).
- Examined other procurements and selected transactions (7 invoices totaling \$37,980 from the population²³ of single source exception expenditures totaling \$75,005).
- Examined cellular telephone records and selected transactions (16 invoices totaling \$2,883 from the population of cellular telephone expenditures totaling \$1.2 million).
- Evaluated Department actions taken to correct the deficiencies disclosed in audit report No. 2006-030.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.

²² Population consisted of contractual service contracts procured after July 1, 2005, and excluded contract renewals and contracts that did not have corresponding expenditures recorded in FLAIR during the audit period.

²³ Population consisted of single source exception procurements with amounts of \$2,500 to \$25,000.

²⁰ Section 202.125(3), Florida Statutes.

²¹DOR Rule 12A-19.042, Florida Administrative Code.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated October 12, 2007, the Secretary of the Department of Juvenile Justice provided a response to our preliminary and tentative findings. The letter is included at the end of this report as **APPENDIX E**.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was conducted in accordance with applicable *Generally Accepted Government Auditing Standards*. This audit was conducted by Hillman Brannon, CPA, and supervised by Frank Becton, CPA, and Christi Alexander, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Audit Manager, by e-mail (dorothygilbert@aud.state.fl.us) or by telephone (850-488-5444).

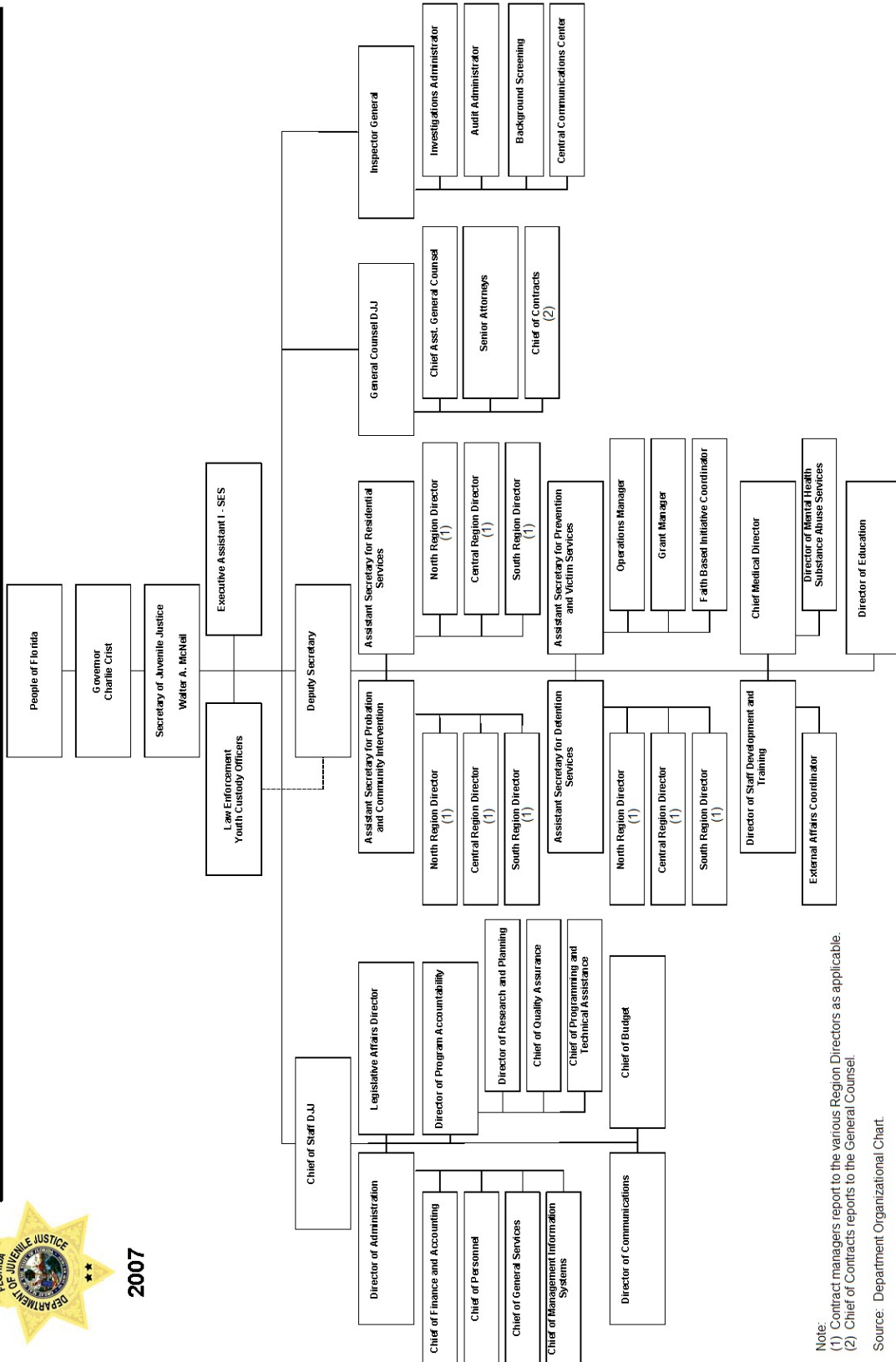
This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A
DEPARTMENT ORGANIZATION

Department of Juvenile Justice Organizational Chart



2007



Note:
 (1) Contract managers report to the various Region Directors as applicable.
 (2) Chief of Contracts reports to the General Counsel.
 Source: Department Organizational Chart.

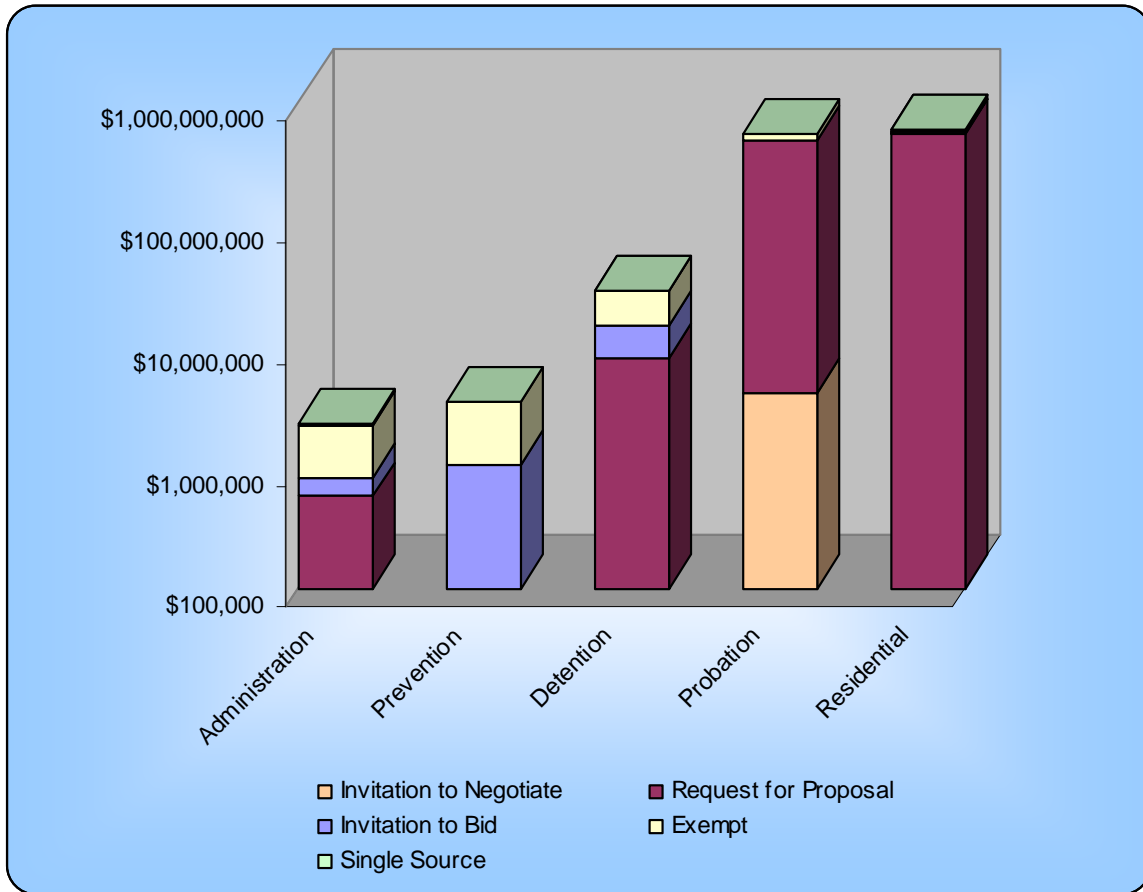
**APPENDIX B
CONTRACT MANAGEMENT RESPONSIBILITIES**

Department Personnel	Location	Responsibilities
Assistant Secretaries	Headquarters	<ul style="list-style-type: none"> ♦ Require all laws, rules, policies, and procedures be followed. ♦ Establish appropriate internal controls, including written procedures, adequate training and activities to ensure completion of the program area's contract management and program monitoring Statewide.
Program Staff	Headquarters	<ul style="list-style-type: none"> ♦ Develop and implement procedures to ensure compliance with all applicable laws, rules, and policies and consistent Statewide practices. ♦ Coordinate and facilitate training. ♦ Serve as liaison between the region or field staff and headquarters.
Bureau of Contracting	Headquarters	<ul style="list-style-type: none"> ♦ Responsible for Department contract activities. ♦ Develops new Request for Proposals (RFPs), contracts/amendments upon request from appropriate Assistant Secretary's Office. ♦ Facilitates evaluation and ranking of RFP responses. ♦ Assists Department staff with single source, emergency, and other competitive procurements.
Bureau of Finance and Accounting	Headquarters	<ul style="list-style-type: none"> ♦ Audits invoices to ensure compliance with contract payment methodology and processes invoice payments in accordance with Florida Statutes.
Regional Directors	Region/Circuit	<ul style="list-style-type: none"> ♦ Ensure that contract managers conduct contract management activities in compliance with all applicable laws, rules, policies, and procedures. ♦ Ensure that program monitors conduct program monitoring activities in compliance with all applicable laws, rules, policies, and procedures.
Contract Manager/ Program Monitor Supervisor	Region/Circuit	<ul style="list-style-type: none"> ♦ Ensures corrective action plans successfully resolve program deficiencies.
Contract Managers	Region/Circuit	<ul style="list-style-type: none"> ♦ Perform contract management duties in accordance with branch policies, procedures, and guidelines to include verifying, approving, and forwarding invoices for payment; identifying deficiencies and issues of noncompliance; maintaining the contract file; ensuring the implementation and completion of corrective action plans; and serving as liaison between the contract provider and the Department.
Program Monitors	Region/Circuit	<ul style="list-style-type: none"> ♦ Perform contract management duties in accordance with branch policies, procedures, and guidelines to include providing technical assistance to the program, conducting site visits, assessing program effectiveness, maintaining supporting documentation, and ensuring the implementation and completion of corrective action plans.

Source:

- Department Policies and Procedures, FDJJ-1680, Contract Management and Program Monitoring
- Department Web site

**APPENDIX C
CONTRACT PROCUREMENT METHODS BY PROGRAM AREA
AS OF JANUARY 31, 2007**



	Administration	Prevention and Victim Services	Detention Services	Probation and Community Intervention	Residential Services	Totals
Invitation to Bid	\$ 225,000	\$ 1,044,510	\$ 6,453,677	\$ 323,392	\$ 424,145	\$ 8,470,724
Request for Proposal	570,000	-	7,953,110	485,433,950	555,142,050	1,049,099,110
Exempt	1,405,912	2,369,000	13,382,550	54,084,867	40,344,404	111,586,733
Single Source	60,000	37,500	-	974,470	80,000	1,151,970
Invitation to Negotiate	-	-	-	4,044,747	-	4,044,747
Total	\$ 2,260,912	\$ 3,451,010	\$ 27,789,337	\$ 544,861,426	\$ 595,990,599	\$ 1,174,353,284

Note: The program area amounts listed above differ from the amounts listed in Chart 1 as these amounts exclude contracts (i.e., State Term, Emergency, Invitation to Bid, Request for Proposal, Exempt, and Single Source) that expired during the audit period. Expired contracts could not readily be identified to a particular program area.

Source: Department *Contract Administration Log* for the period July 1, 2005, through January 31, 2007.

**APPENDIX D
CONTRACT MANAGER ASSIGNMENTS
AS OF NOVEMBER 30, 2006**

Probation and Community Intervention			
Region	Contract Manager	Number of Assigned Contracts	See Note
Northern	Employee A	9	
	Employee B	32	
	Employee C	1	*
	Employee D	9	
	Employee E	3	
	Employee F	1	
	Employee G	1	*
Central	Employee H	11	
	Employee I	44	
	Employee J	1	*
Southern	Employee K	23	
	Employee L	1	
	Employee M	19	
Statewide	Employee N	3	
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Detention Services			
Region	Contract Manager	Number of Assigned Contracts	See Note
Northern	Employee A	20	
Central	Employee B	32	
	Employee C	1	*
Southern	Employee D	16	
Statewide	Employee E	1	
	Employee F	1	
<u>71</u>			

Prevention and Victim Services			
Region	Contract Manager	Number of Assigned Contracts	See Note
Northern	Employee A	3	
Southern	Employee B	1	*
	Employee C	1	*
	Employee D	1	
Statewide	Employee E	2	
	Employee F	9	*
	Employee G	2	*
	Employee H	1	*
<u>20</u>			

Administration			
Region	Contract Manager	Number of Assigned Contracts	See Note
Statewide	Employee A	1	
	Employee B	2	
	Employee C	2	
	Employee D	1	
	Employee E	1	
	Employee F	1	
<u>8</u>			

Residential Services			
Region	Contract Manager	Number of Assigned Contracts	See Note
Northern	Employee A	3	*
	Employee B	2	*
	Employee C	2	*
	Employee D	1	*
	Employee E	3	
	Employee F	2	*
	Employee G	2	*
	Employee H	7	*
	Employee I	3	*
	Employee J	2	*
	Employee K	6	
	Employee L	6	
	Employee M	3	
	Employee N	3	
	Employee O	4	*
	Employee P	1	*
Central	Employee Q	4	*
	Employee R	2	
	Employee S	1	*
	Employee T	4	
	Employee U	3	
	Employee V	1	*
	Employee W	4	*
	Employee X	1	*
	Employee Y	4	*
	Employee Z	2	*
	Employee AA	2	*
Employee BB	1	*	
Employee CC	2	*	
Employee DD	1	*	
Employee EE	3	*	
Southern	Employee FF	1	*
	Employee GG	1	*
	Employee HH	1	
	Employee II	3	
	Employee JJ	4	
	Employee KK	2	
	Employee LL	1	
Employee MM	2	*	
Employee NN	3		
Employee OO	3		
Statewide	Employee PP	2	
<u>108</u>			

Note:

* = Although JJIS indicated otherwise, as of November 30, 2006, we determined that the employee had either terminated employment with the Department or was no longer assigned contract management responsibility for the current position or program area.

Source:

- Juvenile Justice Information System (JJIS) *Pilot 72 List* as of November 30, 2006
- People First data



FLORIDA DEPARTMENT OF JUVENILE JUSTICE
Charlie Crist, Governor **Walter A. McNeil, Secretary**

October 12, 2007

Mr. David W. Martin, Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is our response to your list of preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on your Operational Audit of the Department of Juvenile Justice, Selected Administrative Activities and Follow-Up on Prior Audit Findings, for the period July 2005 through February 2007, and selected Department actions taken through July 24, 2007.

Pursuant to Section 11.45(4)(d), Florida Statutes, submitted here is a written statement of explanation concerning all of the findings, including our actual or proposed corrective actions.

This response is being electronically submitted to flaudgen_audrpt@aud.state.fl.us per your instructions. If you have questions regarding this submission or need additional information please contact Beth Davis, Director of Administration, at 921-0803.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter A. McNeil" with a stylized flourish at the end.

Walter A. McNeil
Secretary

/bd

Enclosures

2737 Centerview Drive • Tallahassee, Florida 32399-3100 • (850) 488-1850
<http://www.djj.state.fl.us>

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention and treatment services that strengthen families and turn around the lives of troubled youth.

Listed below are the eight findings reported in the Auditor General (AG) letter dated September 13, 2007, as a result of their audit of the Department of Juvenile Justice (Department) for the period July 2005 through February 2007, and selected Department actions taken through July 24, 2007, focused on the Department's actions related to contract management, the Florida Single Audit Act, and correcting deficiencies disclosed in our prior audit (report No. 2006-030, dated September 2005). Below each finding are the recommendations suggested by the AG in the same report. The Department provides here a written statement of explanation concerning all of the findings, including our actual or proposed corrective actions.

Contract Management

Finding No. 1:

The Department did not always maintain documentation justifying the procurement methods used.

Recommendations:

- Ensure that adequate documentation is maintained to evidence negotiation efforts and procurement decisions.
- Prepare and retain documentation explaining why competitive sealed bidding was not practicable in those instances in which requests for proposals were used.
- Maintain documentation to evidence review of the Convicted Vendor List.
- Ensure that Contract Review Forms are timely and adequately completed, including approval signatures, prior to contract signing.
- Ensure that the required MyFloridaMarketPlace fee language is included in applicable contacts.

Statement of Explanation/Corrective Action Plan

The Department concurs with the Auditor Generals recommendations and will implement the following actions, which will be completed no later than November 1, 2007:

RECOMMENDATION: Ensure that adequate documentation is maintained to evidence negotiation efforts and procurement decisions.

CORRECTIVE ACTION: This Finding has been corrected. On October 1, 2007 the Bureau of Contracts (BOC) began utilizing a checklist that is placed in each procurement file, outlining all of the required elements to be placed in the procurement file prior to filing. The procurement officer is responsible for completing the form and ensuring that all of the required documentation is present. Beginning in November 2007, the BOC staff will conduct biannual peer reviews of all current procurement files to ensure all required documentation is present.

RECOMMENDATION: Prepare and retain documentation explaining why competitive sealed bidding was not practicable in those instances in which requests for proposals were used.

CORRECTIVE ACTION: The BOC will create a procurement justification memo, to be completed by the program managers justifying the selected procurement method prior to initiation of a contract action. The use of this memorandum will be in place no later than October 31, 2007. The required use of this form will be communicated to program managers through Executive Management Team meetings and through the Interagency Contract/Grant Improvement Workgroup. Written instructions will be provided to program staff and the BOC staff will provide technical assistance as needed.

RECOMMENDATION: Maintain documentation to evidence review of the Convicted Vendor List.

CORRECTIVE ACTION: On April 1, 2007, the BOC instituted a process whereby the convicted vendor list is checked prior to executing any new contract. Documentation of the review is maintained in the procurement file.

RECOMMENDATION: Ensure that Contract Review Forms are timely and adequately completed, including approval signatures, prior to contract signing.

CORRECTIVE ACTION: This finding has been corrected. On April 1, 2007 the BOC modified its internal process to ensure that contracts are not executed prior to the completion of the Contract Review Form by all applicable parties.

RECOMMENDATION: Ensure that the required MyFloridaMarketPlace fee language is included in applicable contracts.

CORRECTIVE ACTION: This finding has been corrected. The required MyFloridaMarketPlace fee language has been included in all standard contract documents executed after January 1, 2007.

Finding No. 2:

Department contract files did not always contain the names of individuals involved in the provider selection and evaluation process.

Recommendation:

- We (AG) recommend that the Department enhance its procedures to require that documentation (i.e., conflict of interest forms) be maintained for all individuals responsible for the provider selection, evaluation, and award process.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. Conflict of interest forms are now required for all new contract awards for staff participating in the provider selection, evaluation and award process. Verification of the completion of these forms will also be included in the checklists completed by procurement staff prior to the filing of any completed procurement or contract file.

Finding No. 3:

Department monitoring procedures, instruments, and efforts were not always documented or maintained in contract files.

Recommendation:

- To ensure that providers' performance fulfills the terms and conditions of contracts and to evaluate the extent to which the contracted services received contributed to the accomplishment of Department goals and objectives, we (AG) recommend that the Department's contract monitoring processes and procedures be fully developed, implemented, and compliance therewith documented. We (AG) also recommend that once the monitoring processes and procedures have been established, the Department develop associated workload requirements for use in allocating monitoring resources.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. An interagency Contract/Grant Improvement Workgroup has been established that will develop the standard monitoring processes and procedures by 12/31/2007. Training for these new procedures will begin in March of 2008. Compliance verification and the development of associated workload requirements will be conducted during the first and second quarters of FY 08-09.

While we do agree that a workload analysis will serve the agency well in ensuring proper alignment of resources to important contractor oversight functions, the Department would like to offer a clarification of the information provided in Appendix D of the audit report. The report identifies the disparity in numbers of contracts managed by individuals. The report does not take into account the percentage of time that the individual staff dedicate to contract management. In some instances contract management is a miniscule amount of the duties and responsibilities of the individual staff.

Finding No. 4:

The Department did not maintain adequate support and evidence of approval for some procurements.

Recommendation:

- We (AG) recommend that the Department, prior to payment for services, ensure adequate support and approval is obtained. Such support and documentation should be retained.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. When processing payments for the type of services referenced in the audit findings, the Department will implement a management review of documentation provided for payment and retention by the Bureau of Finance and Accounting. In addition, policy number FDJJ 1407.03, Documentation of Financial Transactions, has been revised to include service type expenditure requirements and has been submitted for agency review. It is anticipated that this policy will be accepted and posted for Departmental access by December 31, 2007.

Finding No. 5:

The Department did not have in place the tools necessary to allow Department decision makers ready access to accurate and reliable procurement data required for sound contract management.

Recommendation:

- To ensure Department management has the contract information needed for planning, monitoring, and reporting, we (AG) recommend that the Department take steps to ensure contract listings contain accurate and up-to-date contract information.

Statement of Explanation/Corrective Action Plan

The Department concurs with this finding. Unfortunately, the Department currently lacks the required resources to modify the Department's Juvenile Justice Information System. Consequently, the BOC is required to keep a separate Excel tracking sheet to ensure that procurement and contract actions are handled in a timely manner.

Beginning November 1, 2007 the Bureau of Contracts internal tracking guide will be manually reconciled with the Department's Juvenile Justice Information System.

Florida Single Audit Act

Finding No. 6:

The Department did not always comply with Florida Single Audit Act requirements.

Recommendation:

- We (AG) recommend that the Department take appropriate actions to ensure compliance with Florida Single Audit Act administrative requirements.

Statement of Explanation/Corrective Action Plan

The Department agrees with this finding. Prior to the end of this audit, the Department began to implement corrective measures designed to ensure compliance with administrative provisions of the Florida Single Audit Act (FSAA). The Bureau of Contracts, the Office of Probation and Community Corrections and the Office of Prevention and Victim Services, are drafting or revising their operational policies and procedures. The new or revised policies and procedures will include compliance requirements with the FSAA. All have a scheduled implementation date of no later than July 2008. The Office of the Inspector General, Bureau of Internal Audit (OIG/BIA) has completed a draft of Department-wide policies and procedures, pertaining specifically to the FSAA and will soon post the document on the intranet for final review and comment within the Department. Implementation of the Department-wide policies and procedures is scheduled for December 2007.

The Department recognizes the importance of assuring State project funds are properly administered by State Financial Assistance contractors, and strive for FSAA compliance improvements. The Department is committed to providing statewide training to all employees responsible for carrying out the provisions of the Florida Single Audit Act. Through coordination with the Department of Financial Services, statewide training sessions will be conducted prior to the start of the 2008 – 2009 fiscal year, to provide uniform instruction on FSAA matters. The Department has established contact with the Department of Financial Services to discuss the training curriculum along with dates for the training.

Finding No. 7:

The Department did not have uniform procedures for tracking and reviewing Financial Reporting Packages.

Recommendation:

- To ensure effective oversight, we (AG) recommend that the Department establish and implement adequate SFA monitoring policies and procedures in compliance with FSAA. In addition, we (AG) recommend that the Department implement a mechanism to track when FRPs are due, received, and reviewed.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. To fully address the issues of non-compliance with the FSAA, The Department has completed the initial draft of policies and procedures that specifically address office and individual responsibilities as they relate to the FSAA. The new policies and procedures are expected to be implemented in December 2007. The OIG/BIA has also begun developing a web-based FSAA tracking system. The basic design criterion of the system has been established and meetings have been held with Management Information Systems (MIS) staff to discuss development and implementation requirements.

Financial Reporting Packages received in compliance with FSAA requirements are a valuable resource for assuring appropriate utilization and monitoring of State Financial Assistance. The Department continues to evaluate its compliance with the FSAA and is committed to improving and maintaining FSAA compliance.

Follow-up on Prior Audit Findings**Finding No. 8:**

The Department did not, in some instances, adequately resolve prior audit findings related to Florida Accounting Information Resource Subsystem access controls and cellular telephones (appropriateness of the charges).

Recommendation:

- To adequately and timely resolve all prior audit findings and to preclude a recurrence of those findings, we (AG) again recommend that the Department:
 - Ensure immediate and timely removal of employees' FLAIR access upon their termination.
 - Ensure that cellular telephone billings are carefully reviewed for the appropriateness of charges.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. In November, 2005, the Department developed and implemented the Employee Separation Notification System to assist in the timely removal of employees' access. In an effort to improve usage of this system by the Department's managers and supervisors, the Director of Administrative Services began in April 2007 sending a quarterly email reminder about using the system to all managers and supervisors, including detailed instructions for use of the system. This practice will continue to ensure the timely removal of terminated employees' system accesses.

Policy number FDJJ 1407.03, Documentation of Financial Transactions, has been revised to clarify that even though no personal call cell phone charges are incurred by an employee, a completed cell phone affidavit is required. The policy has been forwarded to the appropriate unit for agency review. It is anticipated that this policy will be accepted and posted for Departmental access by December 31, 2007.

The payment of inappropriate taxes was an oversight. The Department will implement a management review of documentation provided for payment to assist in eliminating these types of errors.

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